



Teachers'
Pension Plan
Board

Conseil du régime
de retraite des enseignantes
et des enseignants



Government
Publications

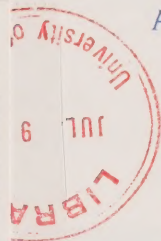
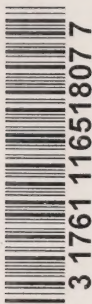
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EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN



85-factor benefit starts June 1

The announcement many teachers were eager to hear was made by the OTF last week. The day after, we received a record 1,939 telephone calls, or more than six times our usual number of calls.

YOU CAN HELP US BY NOT CALLING

There are 14,000 teachers who are eligible to retire with an unreduced pension at the end of this school year—about 10,000 of whom have an 85-factor pension.

If you're eligible to retire this June, you'll receive the pension information you need by May 20, 1998. We'll send you a:

1. pension estimate statement, including three different retirement dates;
2. retirement kit with the forms and information you'll need to apply for your pension.

DETAILS ARE STILL EMERGING

We are awaiting clarification from OTF and the government on a number of details. For instance, if you want to retire with a reduced pension during

the 85-factor period, is your reduction calculated based on the number of points you are away from the 85 factor or the 90 factor? The answer at this time is, we do not know. We will be publishing continual updates to this and other questions on our web site at www.otpp.com.

SHARE INFORMATION WITH YOUR COLLEAGUES

If you read information on our web site you think your colleagues can use, please print out the page and post it on your staffroom bulletin board. They'll thank you for it.

◆ We're still waiting for the actual wording of the plan changes. ◆

See page 2

Other changes

IMPROVED CPP REDUCTION

The CPP reduction factor used to calculate your teachers' pension will be lowered to 0.6% from 0.68%, beginning January 1, 1999. The lower CPP reduction means you'll be able to keep more of your teachers' pension after age 65. This can add up to \$940 to your pension every year after age 65.

* The fine print

The lower CPP reduction to your teachers' pension is a benefit improvement and will create a one-time reduction to your RRSP contribution room. For most teachers, the available RRSP contribution room will be reduced by about \$2,200 in 1999.

What you need to know about the 85 factor

- The 85-factor pension benefit is available from June 1, 1998 to December 31, 2002, and may be continued after that time.
- To be eligible, your age and qualifying years must at least equal 85—even if you're not yet 55 years of age.
- Our current understanding is that you must be employed in education during the period the program is available. If you quit teaching before the program takes effect, you are ineligible for an 85-factor pension.

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CALCULATIONS AND DEDUCTIONS

How your 85-factor pension is calculated

The 85-factor window makes it possible for you to retire earlier without a reduction to your pension—but it doesn't provide the same pension you would receive at your 90 factor. Here's why.

Your unreduced pension is calculated using your total credit and average best-five years' salary.

Pension formula

$2\% \times \text{credit} \times \text{"best-five"} = \text{pension before 65}$

Example

John can retire this year with an unreduced pension at the 85 factor (when his age and number of qualifying years equal 85). John has 31 years of credit and an average best-five years' salary of \$60,000.

At the 85 factor, his pension will be 62% of his "best-five":

$$2\% \times 31 \times \$60,000 = \$37,200$$

If John teaches to his 90 factor, he'll accumulate 2.5 more years of credit and his annual pension will increase by \$3,000. He will collect 67% of his average best-five years' salary.

$$2\% \times 33.5 \times \$60,000 = \$40,200$$

John earns a larger pension the longer he works.

SO WHAT'S A "FULL PENSION"?

There is no such thing as a full pension. A retirement pension is either unreduced (when you have the 85 factor or 35 years of credit or 65 years of age) or reduced. At one time a full pension referred to a pension that was 70% ($2\% \times 35$ years) of a teacher's average salary. ☀

Take change info with caution

The information on plan changes is our understanding of the recent agreement between the Ontario Teachers' Federation and the Ontario government. Your rights and entitlements as members of the plan are and will be governed by the language of the plan text. Plan information pertaining to changes is not intended as advice to be relied upon in relation to any particular circumstance.

When you're retired

Fewer deductions, more pension

When you retire you get to keep more of your money. While working you have deductions for income tax, employment insurance, pensions, federation dues and long-term disability

insurance. When you retire your only required deduction is for income tax.

On average, teachers earn an after-tax pension that is about 77% of their preretirement income.

Example

After 30 years of teaching, Marie earns an annual gross income of about \$60,000 a year. After deductions her annual net pay is \$35,400.

Marie's annual pension is estimated to be \$36,000. When she retires, the only required deduction she will have is for income tax. Allowing for the basic personal exemption, Marie's net income is \$27,260.

The effective difference between Marie's income before and after retirement is \$8,140 per year. Also, while on pension she will likely have fewer work-related expenses. ☀

Comparison of Marie's income before and after her retirement

	Salary	Pension	Difference
Gross	\$60,000	\$36,000	\$24,000
After tax and deductions	\$35,400	\$27,260	\$ 8,140



PLANNING AHEAD

What you'll need to consider before you retire

When you apply for a pension, you'll need to provide us with a photocopy of the following documents. Gather them in advance and avoid delays:

- Birth certificate and your spouse's birth certificate;
- Marriage certificate or official declaration for a common-law relationship;
- Certificate of divorce or decree absolute, or separation agreement, if applicable.

Substitutes for birth certificates

If you cannot obtain an official record of your birth, we can accept:

- Copy of your Canadian passport issued after January 22, 1969;
- Proof of Canadian citizenship;
- Copy of your baptismal certificate;
- Affidavit regarding the entry of your date of birth in the family bible;
- Notice from an insurance company verifying your date of birth.

SURVIVOR PENSION OPTIONS

Your spouse at retirement is entitled to a survivor pension. The amount of the survivor pension is based on a percentage of your teachers' pension after age 65 and includes annual inflation increases.

Unless you and your spouse decide otherwise, when you die after retirement your spouse receives 60% of your teachers' pension. Your teachers' pension is reduced to pay for the 60% survivor pension. The reduction to your pension, usually about 1.5%, will depend on the age of both you and your spouse, and remains in effect even if your spouse predeceases you.

You and your spouse can reduce your survivor's pension to 50% or increase it to 65, 70 or 75%.

If you don't have a spouse, your dependent children are automatically eligible for a survivor pension.

Worth noting

- To increase your survivor's pension from 60% you must apply at least two years before you go on pension or before age 63. If you have missed this deadline, you may still be approved if you pass a medical examination. You can revoke the increase anytime before you go on pension.
- If you're planning to marry and have decided to wait until after you retire, it will cost you more to provide a survivor's pension. By marrying before you retire, your spouse is automatically entitled to a survivor's pension. ☀

85-factor benefit starts June 1

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SUSPENSION OF RETURN-TO-WORK REQUIREMENT CONTINUED

The agreement extends the suspension of the 70-day return-to-work requirement for a purchase of credit to December 31, 2002. To be eligible, teachers must be within five years of their earliest unreduced retirement date at the beginning of the leave; the leave must be employer approved; and you must pay for your purchase of credit during your leave of absence.

The fine print

This does not cover x/y or deferred salary leaves.

ELIMINATE INITIAL UNFUNDED LIABILITY

The Ontario government will continue to make special payments until the initial unfunded liability is eliminated. The surplus remaining after the benefit improvements will be applied to reducing the principal of the initial unfunded liability. Once the initial unfunded liability has been eliminated (possibly next year), all subsequent gains until January 1, 2002, will be available to further improve benefits or reduce the contribution rate as determined by the OTF. Total plan enhancements will not be less than \$8.4 billion.

The fine print

The value of the special payments to pay off the initial unfunded liability was \$8.4 billion at the last funding valuation. The OTF will be able to increase benefits or decrease contribution rates for a total cost of at least \$8.4 billion. ☀



OFTEN ASKED QUESTIONS

IS MY SCHOOL BOARD NOTIFIED *when I seek retirement information?*

We will only contact your employer with your permission.

WILL I BE ABLE TO TEACH *after I retire?*

Yes, however there are limits on the number of days you are permitted to teach without affecting your pension. You can return to teaching for up to 95 days a school year for a total of three years. These can be non-consecutive years. Also, be aware that if you teach in the same school year you retire, the school year is counted as one of the three

years. After the third year, you can teach only up to 20 days in any school year.


MY CREDIT AND QUALIFYING YEARS *are not equal. Why?*

Credit is used to determine the amount of your pension and is based on your actual teaching time. Qualifying years are used to determine when you're eligible for a pension. You earn one qualifying year for every year you teach more than 10 days (or more than 20 days from Sept. 1, 1990, to Dec. 31, 1996, or any teaching before Sept. 1, 1990).

DOES THE 85-FACTOR WINDOW AFFECT *when I can take a commuted value?*

Yes, because you can only transfer the commuted value of your pension before you're eligible for an immediate pension. An 85-factor window means you may be eligible to retire with an unreduced pension sooner.

If you already have your 85 factor and are interested in taking a commuted value transfer, you must resign by May 31, 1998.

Committed value of a pension is the lump-sum payment you would need today to replace your future pension. To take a commuted value you must quit teaching before you're eligible for an unreduced pension and the month before you turn 55, and transfer the amount to a locked-in RRSP. You can't access your money until age 55 and you'll assume all the investment risks. 

EXCHANGE

is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments and suggestions. Feel free to call John Cappelletti at (416) 730-5351 or 1-800-668-0105, or fax at (416) 730-5346 or write to:

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The information contained in this newsletter is not intended as advice to be relied upon in relation to any particular circumstance.



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